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April 3, 2003

BY HAND

Mary L. Cottrell, Secretary
One South Station
Boston, MA 02210

Re: Fitchburg Gas and Electric Light Company, Standard Offer Service Fuel
Adjustment, D.T.E. 00-66

Dear Ms. Cottrell:

On behalf of Fitchburg Gas and Electric Light Company ("FG&E"), I am filing FG&E's proposed Standard Offer Service Fuel Adjustment ("SOSFA") of \$0.00902 per kWh, for effect May 1, 2003. The proposed SOSFA was calculated in accordance with the methodology approved in the Department's letter order dated December 4, 2000, in the above-captioned docket, and is identical to the SOSFA calculation being presented by NSTAR and National Grid on or about this date. FG&E is proposing to implement the SOSFA to recover additional costs it is incurring to provide Standard Offer Service related to increased fuel index payments under its wholesale standard offer supply contract.

FG&E's current Standard Offer Service base rate is \$0.04700 per kWh. The current SOSFA in effect since January 1, 2003 is \$0.00660 per kWh. As indicated in FG&E's letter to the Department dated March 18, 2003, FG&E anticipates that its 2002 deferrals will be eliminated in mid-May and therefore in compliance with the Department's directive, the current rate is due to expire on May 1, 2003. In 2003, FG&E has continued incurring fuel index costs each month under its wholesale power supply contract due to the rise in the prices for fuel oil and natural gas. FG&E anticipates its SOSFA deferrals to be \$646,141 on May 1 when the current SOSFA expires. FG&E anticipates that it will continue to incur substantial fuel-related costs under its Standard Offer Service supply contract throughout the foreseeable future.

In order to mitigate the accrual of additional deferral balances, FG&E requests the Department approve FG&E's proposed SOSFA of \$0.00902 per kWh, for usage on and after May 1, 2003. In addition to mitigating the continuing accrual of deferral balances, implementing the proposed SOSFA on May 1 will better align the Standard Offer Service rate with the prevailing market prices in the Massachusetts electricity market. This alignment will provide not only a more accurate price signal, but will also reduce the degree of inequity that may result from the creation of a large deferral balance to be satisfied by future customers. Implementing the SOSFA increase in May, historically a month with moderate usage, is also preferred to implementation of a larger SOSFA later in the year (e.g., July 1), when usage might be greater.

Attachment 1 provides various data related to FG&E's SOSFA values. Page 1 provides the calculation of the proposed SOSFA of \$0.00902 per kWh. The application of the adjustment value of 1.19197 to the base standard offer rate of \$0.04700 per kWh results in an adjusted base standard offer rate of \$0.05602 per kWh, reflecting the new SOSFA of \$0.00902 per kWh. Pages 2 and 3 provide the supporting calculations as well as market prices for fuel oil and natural gas over the prior 12 months (April 2002 through March 2003). Page 4 indicates the forecast of the SOSFA costs through December 2003.

Attachment 2 provides FG&E's SOSFA balances for 2003, based on actual costs through March. As shown, FG&E expects to be under-collected by \$646,141 at May 1. The remainder of the year is forecast based on a kWh sales forecast, revenue forecast using the proposed May 1 SOSFA and the SOSFA cost forecast shown in Attachment 1 page 4. Even with implementation of the proposed SOSFA on May 1, FG&E estimates it will be under-collected by \$2,057,548 at year-end. In addition, FG&E's estimated Standard Offer Service deferral balance at year-end is \$3.6M.

Based upon the significant Standard Offer Service fuel-related costs FG&E has been incurring, FG&E requests that the Department approve the proposed SOSFA of \$0.00902 per kWh, for usage on and after May 1, 2003. FG&E estimates that this adjustment would reduce the amount of 2003 deferred costs that must be collected from customers in the future by almost \$1.6 million plus interest. Because of the recent significant volatility in fuel prices, FG&E will continually monitor its actual fuel index costs and its SOSFA deferral balance following implementation of the proposed SOSFA, and will notify the Department in the event that a change in the SOSFA may be warranted prior to the end of 2003.

The impact of this rate change on a typical FG&E 500 kWh residential standard offer customer would be a monthly bill increase of \$1.21, or 1.9 percent. A complete set of standard offer service bill impacts is shown in Attachment 3.

Mary L. Cottrell, Secretary
April 3, 2003
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Thank you for your attention to this filing.

Very truly yours,

Scott J. Mueller

cc: Joseph Rogers, Assistant Attorney General
Service List, D.T.E. 00-66
David McKeehan, President, North Central Massachusetts Chamber of Commerce